

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 TRSE-00 EB-07 FRB-03 SS-15 INR-07

CIAE-00 OMB-01 L-03 PRS-01 USIA-06 SP-02 NSC-05

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DRAFTED BY EUR/WE/JFERRER/TREAS/DSYVRUD

APPROVED BY EUR/R.E. BARBOUR

EB - P. BOEKER

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P 112119Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY LISBON PRIORITY

C O N F I D E N T I A L STATE 160756

E.O. 11652: XGDS-4

TAGS: EFIN, PO

SUBJECT: FINANCIAL CRISIS

REF: (A) LISBON 5271, (B) LISBON 5272

1. DONALD E. SYVRUD AND JAMES FERRER CALLED GOVERNOR SILVA LOPES ON JULY 11 AS REQUESTED.

2. SILVA LOPES STATED GOP IS EXAMINING THE CAUSES OF THE RECENT EXCHANGE CRISIS. HE SAID "ONLY WHEN WE KNOW THE CAUSES, WILL WE KNOW HOW TO DEAL WITH THEM." HE REPORTED THAT THE FUND STAFF, INCLUDING HANS SCHMITT, HAS BEEN INVITED TO LISBON TO DISCUSS BOTH THE CAUSES OF THE CRISIS AND POSSIBLE MEASURES TO DEAL WITH IT. DISCUSSION WILL INCLUDE POSSIBILITY OF SECOND TRANCHE AGREEMENT. SILVA LOPES SAID HE DID NOT EXPECT GOP TO ADOPT ANY MAJOR DECISION THIS WEEK, AND POSSIBLY NOT FOR TWO MORE WEEKS.

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3. SILVA LOPES ASKED WHETHER DONALD SYVRUD WOULD COME TO PORTUGAL FOR A VISIT. WE RESPONDED THAT IT WAS PROBABLY TOO EARLY FOR SUCH A VISIT AND THAT WE WOULD FIRST LIKE TO TALK TO THE IMF STAFF WHEN IT RETURNS FROM PORTUGAL. WE PROMISED TO CALL DR. SILVA LOPES ON JULY 15.

4. COMMENT. SILVA LOPES STATED THAT BIS SHOULD APPROVE

\$100 MILLION CREDIT FOR PORTUGAL ON JULY 11 OR 12. WE EXPECT THAT THIS LOAN, PLUS PENDING DRAWING OF \$50 MILLION FROM ESF CREDIT LINE, SHOULD COVER PORTUGUESE EXCHANGE LOSSES THROUGH THE FIRST WEEK OF AUGUST, AT LEAST. WE DOUBT, THEREFORE, THAT GOP WILL TAKE ANY SIGNIFICANT DECISIONS UNTIL LATE JULY.

5. WE ASKED DR. LOPES WHAT WAS HAPPENING TO SPANISH PESETA. HE RESPONDED THAT EXCHANGE MARKET IN SPAIN WAS CLOSED FOR THE DAY AND THAT HE EXPECTED IT TO OPEN WITH A NEW RATE ON THE 12TH. HE ADDED THAT PORTUGAL WAS NOT PREPARED TO FOLLOW A PESETA RATE ADJUSTMENT AT THIS TIME, BUT HE RECOGNIZED THAT A CHANGE IN THE PESETA RATE WOULD FACILITATE ACCEPTANCE ON A SIMILAR CHANGE IN ESEUDO RATE. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Concepts: FINANCIAL CRISIS, PERSONAL OPINION, DIPLOMATIC DISCUSSIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Content Flags:
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SAS ID: 1901386
Secure: OPEN
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TAGS: EFIN, PO, US, (LOPES, SILVA), (SYVRUD, DONALD E), (FERRER, JAMES)
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